

# State Notes

## TOPICS OF LEGISLATIVE INTEREST

### March/April 2003



#### Tuition at Michigan's Public Universities

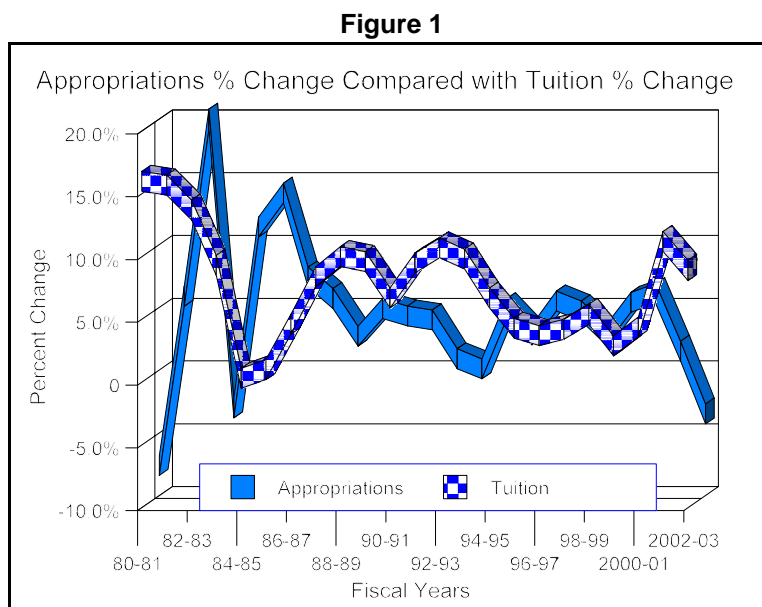
By Ellen Jeffries, Deputy Director

Tuition rates at Michigan's 15 public universities are always the subject of intense discussion during the annual review of Higher Education appropriations. For fiscal year (FY) 2002-03, language was included in the Higher Education appropriations act (Public Act 144 of 2002, Sec. 436) to encourage universities to restrain tuition increases. The language provided that a university's State appropriation would *not* be reduced if that university adopted a tuition and fee rate increase for resident undergraduate students that was 8.5% or less over the prior year, or a total increase of \$425 or less over the prior year, whichever was greater. If a university's increase exceeded that limit, the language authorized the State Budget Director to withhold funds appropriated for that university by an amount equal to the amount in excess of the desired tuition restraint. There were three universities that did not initially meet the tuition restraint criteria for academic year 2002-03 but before any action could be taken by the State Budget Director, Executive Order 2002-22 reduced appropriations to universities by 2.5%, essentially neutralizing the tuition restraint agreement.

The Governor's FY 2003-04 budget recommendation for Higher Education does not include the FY 2002-03 tuition restraint language but does state (in Sec. 404): "As a condition to receiving the appropriations in part 1, public universities shall adopt reasonable tuition and fee increases for the 2003-04 academic year." Because the Governor's FY 2003-04 Higher Education appropriation recommendation reduces the Operations line item of each university by 6.74% from its FY 2002-03 year-to-date amount (which includes reductions from both Executive Order 2002-22 and Executive Order 2003-3), it is very likely that all 15 public universities will increase their tuition for the academic year 2003-04.

#### History of Tuition Increases

As [Figure 1](#) illustrates, when State appropriation increases are low, tuition rate increases tend to be higher to offset the lower appropriations.





In academic year 1991-92, the average for all 15 public universities of annual lower (freshman/sophomore) and upper (junior/senior) division resident tuition and required fees was \$2,722; by academic year 2002-03, the average had increased by 98% to \$5,388. This compares with a 31.2% increase over that same time period for the Detroit Consumer Price Index, and a 49.5% increase in per-capita personal income. Table 1 lists the annual average undergraduate resident tuition and required fees for academic years 1991-92 through 2001-02, as well as the per-capita personal income for calendar years 1990 through 2002, and calculates the average tuition and fees as a percentage of per-capita personal income. This calculation reveals that in academic year 1991-92, average tuition and fees were 13.4% of per-capita personal income; by 2001-02, tuition and fees had risen to 16.3% of per-capita personal income.

**Table 1**

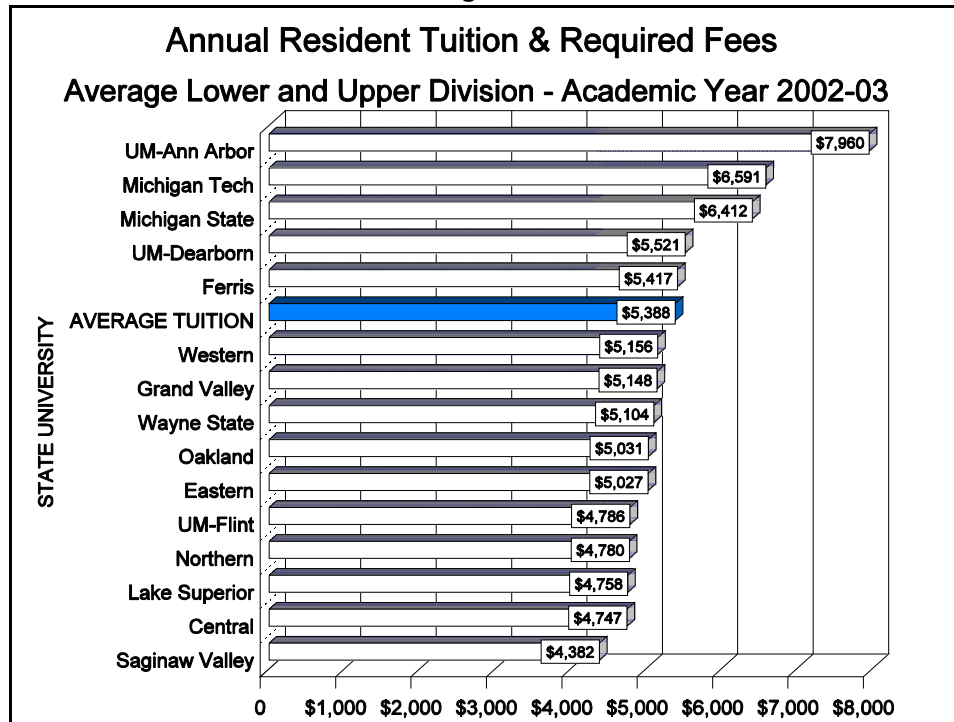
<b>Average Annual Tuition as a Percentage of Per-Capita Personal Income</b>			
<b>Academic Year</b>	<b>Average Tuition &amp; Fees</b>	<b>Per-Capita Personal Income</b>	<b>Tuition as a % of Income</b>
1991-92	\$2,722	\$20,259	13.4%
1992-93	3,014	21,365	14.1
1993-94	3,310	22,830	14.5
1994-95	3,533	23,934	14.8
1995-96	3,686	24,398	15.1
1996-97	3,822	25,509	15.0
1997-98	3,981	26,860	14.8
1998-99	4,196	27,906	15.0
1999-2000	4,260	29,408	14.5
2000-01	4,447	29,629	15.0
2001-02	4,945	30,296	16.3

#### **Academic Year 2002-03**

Tuition rates vary among the 15 public universities, and the academic year 2002-03 rates range from an annual average tuition and required fee amount of \$4,382 at Saginaw Valley State University to \$7,960 at the University of Michigan-Ann Arbor. Figure 2 displays the tuition amounts in descending order and shows an average amount for all 15 public universities of \$5,388.



Figure 2



### Conclusion

If history is any indication, it is a certainty that 2003-04 tuition and fee rates will increase at all of Michigan's public universities. In public testimony so far during the budget process, university presidents have mentioned potential tuition increases ranging from less than 10% to more than 20%. Depending on what increases there may be in per-capita personal income, the increasing portion of income necessary to finance a higher education raises many policy questions regarding access, affordability, and long-term value, including: Is a higher education being priced beyond the reach of many students and their families? Or, is the investment in a higher education of more value in the long term than other investments are, and therefore worth the price?